



Sen. Kwame Raoul

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1 AMENDMENT TO SENATE BILL 1166

2 AMENDMENT NO. _____. Amend Senate Bill 1166 by replacing
3 everything after the enacting clause with the following:

4 "Section 1. Findings. In 1997, the General Assembly granted
5 pension funds created under Articles 3 (Downstate Police) and 4
6 (Downstate Firefighter) of the Illinois Pension Code certain
7 limited authority to invest in publicly traded equities,
8 including mutual and similar funds that compile publicly traded
9 equities. Investment in equities beyond the limits allowed by
10 law results in undue financial risk, diminishes the viability
11 and stability of these pension funds, and adversely affects the
12 interests and expectations of local police officers,
13 firefighters, and their families. According to reports
14 produced by the pension funds created under Articles 3 and 4 of
15 the Illinois Pension Code, a number of these pension funds are
16 invested in equities beyond the limits established by law.

1 Section 5. The Illinois Pension Code is amended by changing
2 Sections 1-113.2, 1-113.3, 1-113.4, 3-132, 4-123, and 22A-113
3 as follows:

4 (40 ILCS 5/1-113.2)

5 Sec. 1-113.2. List of permitted investments for all Article
6 3 or 4 pension funds.

7 (a) Any pension fund established under Article 3 or 4 may
8 invest in the following items:

9 (1) Interest bearing direct obligations of the United
10 States of America.

11 (2) Interest bearing obligations to the extent that
12 they are fully guaranteed or insured as to payment of
13 principal and interest by the United States of America.

14 (3) Interest bearing bonds, notes, debentures, or
15 other similar obligations of agencies of the United States
16 of America. For the purposes of this Section, "agencies of
17 the United States of America" includes: (i) the Federal
18 National Mortgage Association and the Student Loan
19 Marketing Association; (ii) federal land banks, federal
20 intermediate credit banks, federal farm credit banks, and
21 any other entity authorized to issue direct debt
22 obligations of the United States of America under the Farm
23 Credit Act of 1971 or amendments to that Act; (iii) federal
24 home loan banks and the Federal Home Loan Mortgage
25 Corporation; and (iv) any agency created by Act of Congress

1 that is authorized to issue direct debt obligations of the
2 United States of America.

3 (4) Interest bearing savings accounts or certificates
4 of deposit, issued by federally chartered banks or savings
5 and loan associations, to the extent that the deposits are
6 insured by agencies or instrumentalities of the federal
7 government.

8 (5) Interest bearing savings accounts or certificates
9 of deposit, issued by State of Illinois chartered banks or
10 savings and loan associations, to the extent that the
11 deposits are insured by agencies or instrumentalities of
12 the federal government.

13 (6) Investments in credit unions, to the extent that
14 the investments are insured by agencies or
15 instrumentalities of the federal government.

16 (7) Interest bearing bonds of the State of Illinois.

17 (8) Pooled interest bearing accounts managed by the
18 Illinois Public Treasurer's Investment Pool in accordance
19 with the Deposit of State Moneys Act and interest bearing
20 funds or pooled accounts managed, operated, and
21 administered by banks, subsidiaries of banks, or
22 subsidiaries of bank holding companies in accordance with
23 the laws of the State of Illinois.

24 (9) Interest bearing bonds or tax anticipation
25 warrants of any county, township, or municipal corporation
26 of the State of Illinois.

1 (10) Direct obligations of the State of Israel, subject
2 to the conditions and limitations of item (5.1) of Section
3 1-113.

4 (11) Money market mutual funds managed by investment
5 companies that are registered under the federal Investment
6 Company Act of 1940 and the Illinois Securities Law of 1953
7 and are diversified, open-ended management investment
8 companies; provided that the portfolio of the money market
9 mutual fund is limited to the following:

10 (i) bonds, notes, certificates of indebtedness,
11 treasury bills, or other securities that are
12 guaranteed by the full faith and credit of the United
13 States of America as to principal and interest;

14 (ii) bonds, notes, debentures, or other similar
15 obligations of the United States of America or its
16 agencies; and

17 (iii) short term obligations of corporations
18 organized in the United States with assets exceeding
19 \$400,000,000, provided that (A) the obligations mature
20 no later than 180 days from the date of purchase, (B)
21 at the time of purchase, the obligations are rated by
22 at least 2 standard national rating services at one of
23 their 3 highest classifications, and (C) the
24 obligations held by the mutual fund do not exceed 10%
25 of the corporation's outstanding obligations.

26 (12) General accounts of life insurance companies

1 authorized to transact business in Illinois.

2 (13) Any combination of the following, not to exceed
3 10% of the pension fund's net assets:

4 (i) separate accounts that are managed by life
5 insurance companies authorized to transact business in
6 Illinois and are comprised of diversified portfolios
7 consisting of common or preferred stocks, bonds, or
8 money market instruments;

9 (ii) separate accounts that are managed by
10 insurance companies authorized to transact business in
11 Illinois, and are comprised of real estate or loans
12 upon real estate secured by first or second mortgages;
13 and

14 (iii) mutual funds that meet the following
15 requirements:

16 (A) the mutual fund is managed by an investment
17 company as defined and registered under the
18 federal Investment Company Act of 1940 and
19 registered under the Illinois Securities Law of
20 1953;

21 (B) the mutual fund has been in operation for
22 at least 5 years;

23 (C) the mutual fund has total net assets of
24 \$250 million or more; and

25 (D) the mutual fund is comprised of
26 diversified portfolios of common or preferred

1 stocks, bonds, or money market instruments.

2 (b) If (i) a pension fund's investment in accounts or funds
3 described in item (13) of subsection (a) exceeds 15% of the
4 market value of the pension fund's assets according to the most
5 recent annual report filed with the Public Pension Division
6 within the Department of Financial and Professional Regulation
7 or (ii) a pension fund fails to file an annual report with the
8 Public Pension Division within 3 months after the due date of
9 the annual report, then the Public Pension Division shall
10 immediately notify the State Board of Investment established
11 under Article 22A of this Code, the Auditor General, and the
12 General Assembly, whereupon, by operation of law, all authority
13 and responsibility for managing the pension fund's assets shall
14 immediately lie with the State Board of Investment, who shall
15 have sole authority and responsibility for managing those
16 assets, as otherwise required by this Code, until 3 consecutive
17 annual reports filed with the Public Pension Division
18 demonstrate that all investments and practices comply with the
19 law. To effectuate the transfer of authority and responsibility
20 provided for in this subsection (b), the State Board of
21 Investment may, at the expense of the pension fund, take any
22 action that it deems necessary or appropriate and may further
23 obtain injunctive relief of a writ of mandamus.

24 (Source: P.A. 90-507, eff. 8-22-97; 91-887, eff. 7-6-00.)

1 Sec. 1-113.3. List of additional permitted investments for
2 pension funds with net assets of \$2,500,000 or more.

3 (a) In addition to the items in Section 3-113.2, a pension
4 fund established under Article 3 or 4 that has net assets of at
5 least \$2,500,000 may invest a portion of its net assets in the
6 following items:

7 (1) Separate accounts that are managed by life
8 insurance companies authorized to transact business in
9 Illinois and are comprised of diversified portfolios
10 consisting of common or preferred stocks, bonds, or money
11 market instruments.

12 (2) Mutual funds that meet the following requirements:

13 (i) the mutual fund is managed by an investment
14 company as defined and registered under the federal
15 Investment Company Act of 1940 and registered under the
16 Illinois Securities Law of 1953;

17 (ii) the mutual fund has been in operation for at
18 least 5 years;

19 (iii) the mutual fund has total net assets of \$250
20 million or more; and

21 (iv) the mutual fund is comprised of diversified
22 portfolios of common or preferred stocks, bonds, or
23 money market instruments.

24 (b) A pension fund's total investment in the items
25 authorized under this Section shall not exceed 35% of the
26 market value of the pension fund's net present assets stated in

1 its most recent annual report on file with the Public Pension
2 Division within the Department of Financial and Professional
3 Regulation Illinois Department of Insurance.

4 (c) If (i) a pension fund's investment in accounts or funds
5 described in subsection (a) exceeds 40% of the market value of
6 the pension fund's assets according to the most recent annual
7 report filed with the Public Pension Division within the
8 Department of Financial and Professional Regulation or (ii) a
9 pension fund fails to file an annual report with the Public
10 Pension Division within 3 months after the due date of the
11 annual report, then the Public Pension Division shall
12 immediately notify the State Board of Investment established
13 under Article 22A of this Code, the Auditor General, and the
14 General Assembly, whereupon, by operation of law, all authority
15 and responsibility for managing the pension fund's assets shall
16 immediately lie with the State Board of Investment, who shall
17 have sole authority and responsibility for managing those
18 assets, as otherwise required by this Code, until 3 consecutive
19 annual reports filed with the Public Pension Division
20 demonstrate that all investments and practices comply with the
21 law. To effectuate the transfer of authority and responsibility
22 provided for in this subsection (c), the State Board of
23 Investment may, at the expense of the pension fund, take any
24 action that it deems necessary or appropriate and may further
25 obtain injunctive relief of a writ of mandamus.

26 (Source: P.A. 90-507, eff. 8-22-97.)

1 (40 ILCS 5/1-113.4)

2 Sec. 1-113.4. List of additional permitted investments for
3 pension funds with net assets of \$5,000,000 or more.

4 (a) In addition to the items in Sections 1-113.2 and
5 1-113.3, a pension fund established under Article 3 or 4 that
6 has net assets of at least \$5,000,000 and has appointed an
7 investment adviser under Section 1-113.5 may, through that
8 investment adviser, invest a portion of its assets in common
9 and preferred stocks authorized for investments of trust funds
10 under the laws of the State of Illinois. The stocks must meet
11 all of the following requirements:

12 (1) The common stocks are listed on a national
13 securities exchange or board of trade (as defined in the
14 federal Securities Exchange Act of 1934 and set forth in
15 Section 3.G of the Illinois Securities Law of 1953) or
16 quoted in the National Association of Securities Dealers
17 Automated Quotation System National Market System (NASDAQ
18 NMS).

19 (2) The securities are of a corporation created or
20 existing under the laws of the United States or any state,
21 district, or territory thereof and the corporation has been
22 in existence for at least 5 years.

23 (3) The corporation has not been in arrears on payment
24 of dividends on its preferred stock during the preceding 5
25 years.

1 (4) The market value of stock in any one corporation
2 does not exceed 5% of the cash and invested assets of the
3 pension fund, and the investments in the stock of any one
4 corporation do not exceed 5% of the total outstanding stock
5 of that corporation.

6 (5) The straight preferred stocks or convertible
7 preferred stocks are issued or guaranteed by a corporation
8 whose common stock qualifies for investment by the board.

9 (6) The issuer of the stocks has been subject to the
10 requirements of Section 12 of the federal Securities
11 Exchange Act of 1934 and has been current with the filing
12 requirements of Sections 13 and 14 of that Act during the
13 preceding 3 years.

14 (b) A pension fund's total investment in the items
15 authorized under this Section and Section 1-113.3 shall not
16 exceed 35% of the market value of the pension fund's net
17 present assets stated in its most recent annual report on file
18 with the Public Pension Division within the Department of
19 Financial and Professional Regulation ~~Illinois Department of~~
20 ~~Insurance~~.

21 (c) A pension fund that invests funds under this Section
22 shall electronically file with the Division any reports of its
23 investment activities that the Division may require, at the
24 times and in the format required by the Division.

25 (d) If (i) a pension fund's investment in accounts or funds
26 described in subsection (a) exceeds 40% of the market value of

1 the pension fund's assets according to the most recent annual
2 report filed with the Public Pension Division within the
3 Department of Financial and Professional Regulation or (ii) a
4 pension fund fails to file an annual report with the Public
5 Pension Division within 3 months after the due date of the
6 annual report, then the Public Pension Division shall
7 immediately notify the State Board of Investment established
8 under Article 22A of this Code, the Auditor General, and the
9 General Assembly, whereupon, by operation of law, all authority
10 and responsibility for managing the pension fund's assets shall
11 immediately lie with the State Board of Investment, who shall
12 have sole authority and responsibility for managing those
13 assets, as otherwise required by this Code, until 3 consecutive
14 annual reports filed with the Public Pension Division
15 demonstrate that all investments and practices comply with the
16 law. To effectuate the transfer of authority and responsibility
17 provided for in this subsection (d), the State Board of
18 Investment may, at the expense of the pension fund, take any
19 action that it deems necessary or appropriate and may further
20 obtain injunctive relief of a writ of mandamus.

21 (Source: P.A. 90-507, eff. 8-22-97.)

22 (40 ILCS 5/3-132) (from Ch. 108 1/2, par. 3-132)

23 Sec. 3-132. To control and manage the Pension Fund. In
24 accordance with the applicable provisions of Articles 1 and 1A
25 and this Article, to control and manage, ~~exclusively,~~ the

1 following:

2 (1) the pension fund,

3 (2) investment expenditures and income, including
4 interest dividends, capital gains and other distributions
5 on the investments, and

6 (3) all money donated, paid, assessed, or provided by
7 law for the pensioning of disabled and retired police
8 officers, their surviving spouses, minor children, and
9 dependent parents.

10 All money received or collected shall be credited by the
11 treasurer of the municipality to the account of the pension
12 fund and held by the treasurer of the municipality subject to
13 the order and control of the board. The treasurer of the
14 municipality shall maintain a record of all money received,
15 transferred, and held for the account of the board.

16 (Source: P.A. 90-507, eff. 8-22-97.)

17 (40 ILCS 5/4-123) (from Ch. 108 1/2, par. 4-123)

18 Sec. 4-123. To control and manage the Pension Fund. In
19 accordance with the applicable provisions of Articles 1 and 1A
20 and this Article, to control and manage, ~~exclusively,~~ the
21 following:

22 (1) the pension fund,

23 (2) investment expenditures and income, including
24 interest dividends, capital gains, and other distributions
25 on the investments, and

1 (3) all money donated, paid, assessed, or provided by
2 law for the pensioning of disabled and retired
3 firefighters, their surviving spouses, minor children, and
4 dependent parents.

5 All money received or collected shall be credited by the
6 treasurer of the municipality to the account of the pension
7 fund and held by the treasurer of the municipality subject to
8 the order and control of the board. The treasurer of the
9 municipality shall maintain a record of all money received,
10 transferred, and held for the account of the board.

11 (Source: P.A. 90-507, eff. 8-22-97.)

12 (40 ILCS 5/22A-113) (from Ch. 108 1/2, par. 22A-113)

13 Sec. 22A-113. Transfer of securities and investment
14 functions. (a) As soon as possible or practicable following the
15 enactment of this Article and prior to July 1, 1970, the
16 trustees of the State Employees' Retirement System, the General
17 Assembly Retirement System and the Judges Retirement System,
18 shall transfer to this board for management and investment all
19 of their securities or for which commitments have been made,
20 and all funds, assets or moneys representing permanent or
21 temporary investments, or cash reserves maintained for the
22 purpose of obtaining income thereon.

23 (b) The board of trustees or retirement board of any
24 pension fund or retirement system electing to come under the
25 authority of the Illinois State Board of Investment for the

1 management of its investments and the performance of investment
2 functions previously performed by such board of that pension
3 fund or retirement system shall effect a transfer of securities
4 and other assets thereof not later than the first day of the
5 4th month next following the date of such election after
6 completion of an audit by a certified public accountant of such
7 securities and other assets as authorized by the Illinois State
8 Board of Investment and approved by the Auditor General of the
9 State, the expense of which shall be assumed by the pension
10 fund or retirement system. Upon such transfer, the authority of
11 The Illinois State Board of Investment in the case of such
12 pension fund or retirement system is effective. These transfers
13 shall be receipted for in detail by the Chairman and director
14 of the board.

15 (c) The board of trustees or retirement board of any
16 pension fund or retirement system authorized under the Illinois
17 Pension Code to participate in any commingled investment fund
18 or funds established and managed by the Illinois State Board of
19 Investment under this Article may invest in such commingled
20 investment fund or funds upon written notice to the Illinois
21 State Board of Investment. The board of trustees of the
22 Illinois Bank Examiners' Education Foundation is authorized to
23 participate in any commingled investment fund or funds
24 established and managed by the Illinois State Board of
25 Investment upon providing written notice to the Illinois State
26 Board of Investment. Any participation in a commingled fund and

1 the management thereof shall be in accordance with the
2 governing law and the rules, policies and directives of the
3 Illinois State Board of Investment.

4 (d) When the State Board of Investment receives authority
5 and responsibility for managing the assets of a pension fund as
6 provided in Sections 1-113.2, 1-113.3, and 1-113.4 of this
7 Code, the State Board of Investment shall immediately, through
8 an audit conducted by a certified public accountant at the
9 expense of the pension fund, provide the Board of Trustees of
10 the pension fund and the Public Pension Division within the
11 Department of Financial and Professional Regulation with a
12 receipt that identifies and ascertains all assets over which
13 the State Board of Investment shall exercise authority and
14 responsibility.

15 (Source: P.A. 84-1127.)

16 Section 99. Effective date. This Act takes effect upon
17 becoming law."